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Report of the Trade and Development Board on its fifty-fifth session*

Geneva, 15 to 26 September 2008

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Introduction

The fifty-fifth session of the Trade and Development Board was held at the Palais des Nations, Geneva, from 15 to 26 September 2008. In the course of the session, the Board held 11 plenary meetings, the 1019th to the 1029th.

I. Action by the Trade and Development Board on substantive items on its agenda

A. Review of progress in the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010

Agreed conclusions 493 (LV)

The Trade and Development Board

1. *Welcomes* the recent improvement in the economic performance of many of the least developed countries (LDCs), notably in attaining a 7 per cent annual growth rate in gross domestic product (GDP), but *expresses concern* that growth remains fragile and that the LDCs are lagging behind in the achievement of the Millennium Development Goals (MDGs), notwithstanding some progress in the areas of primary education and in eliminating gender disparities. Their development will remain a key priority of the international community;

2. *Invites* member States and the relevant United Nations organizations to consider the policy recommendations contained in *The Least Developed Countries Report 2008: Growth, Poverty and the Terms of Development Partnership* in designing development policies and strategies, as well as the terms of development partnership;

3. *Reiterates* that sustained growth in LDCs cannot be built on the commodity boom alone but requires diversification through an enabling State, that is, one that promotes transparent, accountable and effective development policies in order to strengthen, inter alia, agricultural productivity and domestic productive capacities, as well as expand productive employment opportunities through public investment that actively promotes private investment;

4. *Urges* LDCs to assume greater country ownership of national development strategies by designing and implementing inclusive national development policies suited to their particular needs. In so doing, they should endeavour to mobilize domestic resources, including revenues from commodities as available and appropriate, and to build State capacities and good governance at all levels, including by adopting transparent aid management policies, bearing in mind the Accra Agenda for Action adopted at the Third High-level Forum on Aid Effectiveness;

5. *Urges* the development partners of LDCs to actively support country leadership in the design and implementation of national development strategies and to help strengthen LDCs' capacity to exercise such leadership, as country leadership is the cornerstone of the development effectiveness of aid; this should involve, inter alia, the promotion of home-grown development solutions as well as continuing to change the nature of policy conditionality, as agreed in the Accra Agenda for Action (para. 25);

6. *Invites* LDCs, when designing and implementing their country-owned national development strategies, to emphasize productive sectors and infrastructure and to make their aid requests support such emphasis;

7. *Invites* development partners to fulfil their respective commitments in terms of scaling up aid, particularly to LDCs, and to provide a composition of aid that is consistent with the development priorities identified by LDCs in their national development strategies, with due attention given to building the productive base of LDCs' economies, including through Aid for Trade, thus helping to end aid dependence. In some cases, the request for and provision of aid may need to be rebalanced;

8. *Recommends* that UNCTAD, as part of the dissemination strategy for its policy analysis and research, should promote the exchange of country experiences and best practices among LDCs in the field of trade and development and interrelated areas of finance, technology, investment and sustainable development;

9. *Acknowledges* the important contribution of UNCTAD's technical cooperation and capacity-building activities in assisting LDCs. UNCTAD should intensify its contribution to the Enhanced Integrated Framework for Trade-related Technical Assistance to Least Developed Countries, in collaboration with other participating institutions, and should contribute to strengthening in-country capacities for the effective management, implementation and monitoring of the mainstreaming of trade into LDCs' national development plans;

10. *Acknowledges* the important contribution of the Enhanced Integrated Framework, of which UNCTAD is one of the participating agencies, and invites the UNCTAD secretariat to intensify its cooperation with the Enhanced Integrated Framework in order to complement its technical cooperation activities and capacity-building for LDCs;

11. *Calls on* UNCTAD to provide, within its mandate, technical assistance to LDCs, many of which are suffering from the effects of the current food crisis, climate change and natural disasters;

12. *Invites* donors and other countries that are in a position to do so to contribute to the UNCTAD LDC trust fund and to regularly replenish it, so as to diversify the sources of funding, as only a few donors have made contributions to it so far; the trust fund remains an important vehicle, complementing regular budget resources, for initiating, designing and implementing technical cooperation and capacity-building activities in LDCs;

13. *Invites* UNCTAD to strengthen its specific focus on the needs of LDCs across all areas of its mandate and to contribute, as appropriate, to the upcoming Fourth United Nations Conference on the Least Developed Countries, scheduled to take place at the end of the current decade in accordance with paragraph 114 of the Programme of Action for the Least Developed Countries for the Decade 2001-2010 and General Assembly resolution 62/203;

14. *Encourages* UNCTAD, within its mandate and consistent with its publication policies, including through the enhanced application of regular budgetary resources, to undertake further studies on sectors of specific interest to LDCs, especially new and non-traditional sectors, in order to improve the trading opportunities and development prospects of these countries;

15. Within existing resources, *calls on* UNCTAD to reallocate part of its regular budget to fund *The Least Developed Countries Report*, which should not have to depend on voluntary funding; and *encourages* UNCTAD to increase its operational effectiveness so that such necessary funds for the report are provided with the least possible disturbance of other UNCTAD activities.

1029th plenary meeting
26 September 2008

B. Economic development in Africa: trade liberalization and export performance in Africa

Agreed conclusions 494 (LV)

The Trade and Development Board

1. *Welcomes* the 2008 report by the UNCTAD secretariat entitled *Economic Development in Africa: Export Performance following Trade Liberalization — Some Patterns and Policy Perspectives*, and *takes note* of the report's finding that export development requires more than trade liberalization and that complementary policies are needed to address various factors constraining countries' supply capacity, so that African countries are able to take advantage of export opportunities;

2. *Recognizes* the extent of trade liberalization efforts undertaken unilaterally, regionally and multilaterally by African countries over the last 25 years, the positive effects of which have not been fully enjoyed and which will require continued and complementary efforts to be fully realized; and *notes with concern* that export performance has been relatively weak, notably in terms of diversification into higher value-added products in the agricultural and manufacturing sectors, as illustrated by the fall in Africa's market share from 6 per cent of total world merchandise exports in 1980 to 3 per cent in 2007, as recorded in the *UNCTAD Handbook of Statistics 2008*;

3. *Also recognizes* the impact of the erosion of trade preferences for African countries, which has both trade and development impacts. In this context, there is a need to find effective and appropriate solutions to preference erosion, including through the outcome of the multilateral trade negotiations, to address market access opportunities and diversification for African countries;

4. *Reaffirms* that each African country must take primary responsibility for its own development, bearing in mind the role of an enabling international environment. In this regard, national development strategies in Africa should include, where appropriate, the adoption of supply-side sectoral measures such as incentive packages, productivity promotion and institutional reforms, targeting all sectors of the economy, including monetary policies, in order to enhance its supply response to the export opportunities resulting from trade liberalization;

5. *Notes with concern* the effect of the current food crisis on several countries in Africa and *stresses* the importance of agricultural sector development strategies as a way to promote the achievement of internationally agreed development goals, including the Millennium Development Goals, and to reduce the likelihood of future crises, for instance through measures aimed at: (a) increasing

public investment in agriculture, bearing in mind the New Partnership for Africa's Development agreements concerning the allocation of a higher proportion of national budgets to agriculture; (b) providing financial incentives for the modernization of the sector; and (c) developing export diversification programmes;

6. *Stresses* that structural policies to promote the manufacturing sector adopted by national Governments and, where appropriate, with the support of development partners should focus on: (a) creating reliable infrastructure that supports efficient production and exports; (b) encouraging firms to become more competitive by increasing labour productivity and developing technological capabilities; and (c) promoting the creation of larger markets as well as larger firms, to benefit from economies of scale, while taking action to support small and medium-sized enterprises;

7. *Regrets* the weakness of internal commercial exchanges between African countries and *recognizes* that promoting regional and interregional economic cooperation and integration, including the inherent opportunities offered by various South-South and North-South partnerships, has the potential to help African countries increase their exports, which could allow them to diversify away from traditional bulk primary commodities into market-dynamic products;

8. *Invites* Africa's trade partners to further open up their markets to products of export interest to African countries and to continue to provide them with assistance in upgrading their capacity to adjust to rising technical standards, in particular food and health standards;

9. *Further invites* Africa's trade partners to urgently address the effects of non-tariff barriers, tariff peaks and tariff escalation, including on Africa's agricultural exports, which hamper diversification; and to this end, inter alia, *calls on* all countries to honour their respective commitments on duty-free and quota-free market access for least developed countries, as provided for in the Ministerial Declaration of the Sixth World Trade Organization Ministerial Conference;

10. *Emphasizes* that donor countries and relevant multilateral organizations play a critical role in helping African countries, including through Aid for Trade, to improve their productive and export capacity;

11. Encourages UNCTAD, within its mandate, as agreed in the Accra Accord, to continue to undertake insightful and critical analysis and to seek to widen the dissemination of its research findings.

1029th plenary meeting
26 September 2008

C. Review of the technical cooperation activities of UNCTAD and their financing

Decision 495 (LV)

The Trade and Development Board

1. *Takes note* with appreciation of UNCTAD's technical cooperation activities and expresses gratitude for the continuous support provided by bilateral and multilateral donors;

2. *Reaffirms* the role of the Working Party on the Medium-term Plan and the Programme Budget as the mechanism for consultations among member States on all issues regarding technical cooperation;

3. *Recalls* its decision 492 (LIV) and paragraphs 215 (c), 216 and 217 of the Accra Accord regarding the need for more coherence in the planning and implementation of technical cooperation programmes and more interdivisional coordination of technical assistance programmes and activities, including streamlining through the use of thematic clusters and programmes;

4. *Welcomes* the establishment of the 17 thematic clusters — including existing and proposed multi-year, multi-donor trust funds — and *invites* the secretariat, in consultation with member States, to continue the consolidation process in terms of the number of clusters as well as within each cluster, where appropriate, without compromising the scope, content and manner of delivery;

5. *Invites* donors and potential donors in a position to do so to provide multi-year contributions to the newly established thematic trust funds; *urges* the secretariat to provide administrative information on the trust funds and donors to provide the secretariat with the required financial instructions for the establishment of multi-donor trust funds and the closing of completed projects; and *encourages* more proactive communication among the secretariat, beneficiaries and donors, so as to make progress in the clustering process;

6. *Takes note* with interest of the information regarding requests for technical assistance and *requests* the secretariat to keep member States updated on these requests, as well as on their follow-up, on a regular basis. This information could serve as a basis for further discussion among beneficiary countries, donors and the UNCTAD secretariat on possible ways to translate requests into action, and may assist the secretariat and member States in defining UNCTAD's areas of focus for technical cooperation within its mandate;

7. *Requests* the secretariat to include an agenda item in the fifty-third session of the Working Party on the Medium-term Plan and the Programme Budget for the interaction between the secretariat, potential beneficiaries and donors on UNCTAD's technical cooperation in accordance with paragraph 220 of the Accra Accord;

8. *Notes* that the new "portal" on UNCTAD technical cooperation is being established and should serve as a useful instrument to improve transparency, describe UNCTAD's technical assistance programmes and identify developing countries' needs and priorities;

9. *Notes* with satisfaction the active involvement of UNCTAD in the inter-agency processes related to the Delivering as One system-wide coherence process and its leading role within the Chief Executives Board (CEB) cluster on trade and productive capacity, and *appreciates* member States' continued support for this inter-agency mechanism;

10. *Encourages* the UNCTAD secretariat to strengthen efforts regarding the integration of economic and trade-related issues in United Nations Development Assistance Frameworks, national development strategic plans and poverty reduction strategy papers, including by assisting developing countries, in particular least developed countries, in doing so in accordance with paragraph 90 (i) of the Accra

Accord, and *requests* the secretariat to keep member States updated in this regard on a regular basis;

11. *Invites* the UNCTAD secretariat to explore the possibilities for increasing the total number of training courses on key issues of the international economic agenda (courses mandated by paragraph 166 of the Bangkok Plan of Action) and other capacity-building activities, including the Virtual Institute network and TrainForTrade;

12. *Notes* the importance of greater cooperation between UNCTAD and the International Trade Centre in the field of technical assistance, each focusing on its comparative advantages;

13. *Encourages* member States to include in their delegations officials from the field in beneficiary countries that are directly involved in the implementation of technical cooperation to participate in the sessions of the Working Party on the Medium-term Plan and the Programme Budget and to provide, from their perspective, an assessment of the impact of technical assistance in their countries; and, in this regard, *encourages* UNCTAD to facilitate the use of virtual conference facilities to enable the broadest possible participation;

14. *Invites* donors and countries in a position to do so to provide funds to assist field-based beneficiary officials to take part in the discussion of the Working Party on the Medium-term Plan and the Programme Budget;

15. *Proposes* that an assessment be made by the CEB cluster, led by UNCTAD, within approximately a year of the conduct of each training workshop for resident coordinators within the framework of the CEB cluster on trade and productive capacity, of the extent to which trade and trade-related issues have been included in United Nations Development Assistance Frameworks.

1027th plenary meeting
23 September 2008

D. Other action taken by the Board

Progressive development of the law of international trade: forty-first annual report of the United Nations Commission on International Trade Law (New York, 16 June-3 July 2008)

At its 1027th plenary meeting, on 23 September 2008, the Board took note of the forty-first annual report of the United Nations Commission on International Trade Law (A/63/17).

Report of the Joint Advisory Group on the International Trade Centre UNCTAD/WTO on its forty-first session (Geneva, 4-5 December 2007)

Also at its 1027th plenary meeting, the Board took note of the report of the Joint Advisory Group on its forty-first session (ITC/AG(XLI)/216).

UNCTAD's contribution to the implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic and social fields

Also at its 1027th plenary meeting, the Board took note of the secretariat report on progress made in the implementation of the outcomes of the major United Nations conferences and summits, and UNCTAD's contribution (TD/B/55/7).

Reports of the Working Party on the Medium-term Plan and the Programme Budget

Also at its 1027th plenary meeting, the Board took note of the reports of the Working Party on its fiftieth session (TD/B/WP/200) and fifty-first session (TD/B/WP/206) and endorsed the agreed conclusions contained therein, including the change of name of the Working Party to the "Working Party on the Strategic Framework and the Programme Budget".

Review of the technical cooperation activities of UNCTAD

Also at its 1027th plenary meeting, the Board adopted the draft decision contained in the report of the Working Party on its fifty-first session (TD/B/WP/206) (see sect. C above).

Report by the President of the Advisory Body set up in accordance with paragraph 166 of the Bangkok Plan of Action on the implementation of courses by the secretariat in 2007-2008 and their relevant impact

At its 1027th plenary meeting, the Board took note of the oral report on this item by the President of the fifty-fourth session of the Board.

Report on UNCTAD's assistance to the Palestinian people

Also at its 1028th plenary meeting, the Board took note of the report by the UNCTAD secretariat (TD/B/55/2) and decided, in accordance with General Assembly decision 47/445, that the report of the Board on its fifty-fifth session to the General Assembly would include an account of the deliberations under this item (see chap. II, sect. K, below).

Hearing with civil society

At its 1029th (closing) plenary meeting, the Board took note of the summary of the hearing contained in document TD/B/55/L.2/Add.1.

Terms of reference for multi-year and single-yea expert meetings

Also at its closing plenary, the Board approved topics and terms of reference for multi-year and single-year expert meetings, and requested the secretariat to issue the compilation as an official document (TD/B/55/9).

Executive session of the Trade and Development Board

At its closing plenary, the Board requested the extended Bureau to meet the following week to decide on holding an executive session in mid-November 2008, and on its agenda, with a view to providing input to the upcoming Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, scheduled to take place from 29 November to 2 December 2008 in Doha, Qatar.

II. President's summary[1]

A. Opening statements

1. Delegations expressed serious concerns about the precarious world economic situation, notably instability and uncertainty in the international capital, currency and commodity markets. The ongoing food crisis, in particular, deserved the serious attention of the international community. The future of the world economy would depend on how Governments responded, both individually and collectively, to those problems.

2. Progress towards the achievement of the Millennium Development Goals (MDGs) had been uneven across the various developing regions, with the most serious underperformance being seen in sub-Saharan Africa. Indeed, the current global economic situation presented serious difficulties for many food- and energy-importing developing countries. Nevertheless, delegations believed it should still be possible to attain the MDGs in all regions, provided that a concerted political effort was made by all concerned. The development of productive capacities should be the centrepiece of efforts to achieve higher rates of economic growth and to create productive and decent employment. In that regard, some delegations stressed the need to rebalance international aid to ensure that there was sufficient investment in infrastructure and productive sectors — including the agricultural sector — in developing countries. Some developed countries intended to double their official development assistance (ODA) by 2010, with a special focus on Africa. Aid for Trade activities were seen as an important complement to ODA.

3. Many delegations emphasized the importance of fully implementing the Accra Accord. Given the precarious economic outlook, delegations — particularly those from developing countries — called on UNCTAD to contribute more effectively to the global development discourse and to the United Nations development machinery. Several delegations commended UNCTAD on its recently launched flagship publications and urged the secretariat to continue suggesting viable and practical solutions to global economic problems. The efforts already made by UNCTAD to implement the Accra Accord, including through the creation of a steering committee to oversee implementation and the clustering of trust funds, were welcomed by delegations.

4. As trade constituted an essential pillar for economic growth, many delegations expressed serious concern about the stalling of the Doha Round of multilateral trade negotiations. Delegations believed that a successful development-oriented outcome would be the best available framework for remedying long-standing distortions in trade flows. It was observed that the cost of failure of the Doha Round would be substantial for the least developed countries (LDCs), who could exercise only very limited bargaining power in bilateral or regional trade agreements, certainly much less than under a multilateral trade regime. World Trade Organization (WTO) member States were urged to consider an early resumption of negotiations. It was

[1] Electronic versions of statements by delegates are available on the UNCTAD website in the form and language in which they are received. Audio files (floor/English) of general statements and statements made at the high-level segment, among others, are also available on the website. To find the speeches and audio files, go to www.unctad.org/meetings, select the intergovernmental body and session, and click on Programme.

suggested that UNCTAD could play a constructive role in demonstrating that a successful conclusion to the Doha Round would be in everyone's best interests. There was a call for all the major negotiating partners, including emerging economies, to offer duty-free and quota-free access to all LDCs.

5. Delegations reaffirmed that UNCTAD's mandate consisted of three pillars — consensus-building, research and analysis, and technical cooperation — and reiterated the role of UNCTAD as the focal point in the United Nations system for the integrated treatment of trade and development and for interrelated issues in the areas of finance, technology, investment and sustainable development. A number of delegations endorsed the attention paid by UNCTAD to specific categories of countries, such as LDCs, African countries, landlocked developing countries and small island developing States, as well as other structurally weak, vulnerable and small economies. Several delegations from developing countries expressed their appreciation of UNCTAD's work on regional trading arrangements and on South-South cooperation. However, even if market access was increased as a result of trade liberalization initiatives undertaken in the context of WTO, developing countries — and LDCs in particular — could not benefit fully from it because of their inherent supply-side limitations.

6. Many delegations from developing countries were supportive of UNCTAD's involvement in inter-agency cooperation under the Aid for Trade initiative, and expressed the hope that the Enhanced Integrated Framework for Trade-related Technical Assistance to Least Developed Countries would focus more on LDCs' trade-related capacity-building programmes, and that trade and development concerns would be mainstreamed into national development plans and poverty reduction strategy papers. Similarly, several delegations urged UNCTAD to work with the Bretton Woods institutions, among others, to achieve greater coherence in economic policymaking.

7. It was suggested that efforts should be made to strengthen the work of the regional trading arrangements and to increase South-South cooperation, without prejudice to the multilateral trading system. It was further suggested that special attention be paid to paragraph 41 of the Accra Accord, on assistance to specific groups of countries, including LDCs. To that end, LDC issues should be mainstreamed in all divisions; the Division for Africa, Least Developed Countries and Special Programmes should be provided with more financial and human resources; and technical cooperation for LDCs should be prioritized.

B. High-level segment: Trade and productive capacities for achieving internationally agreed development goals, including the Millennium Development Goals[2]

1. Highlights

8. The current global economic environment, characterized by recurrent food, energy and financial crises, gives cause for serious concern, and as a result development challenges have become even more daunting. In this context, trade has an essential role to play. It is an engine of growth, and growth underpins development. Enhanced market access for developing countries remains crucial, but in order to engage in trade successfully, each country must also have the productive capacity to do so. Many developing countries will need assistance in this connection, and there is a need to redress the imbalance that has grown between assistance for social development and assistance aimed at the development of economic infrastructure and productive activities, including agriculture. The development effectiveness of aid must also be improved through improved transparency, an enhanced global development partnership and greater country ownership of national development strategies. Policies that promote economic growth are more likely to reach the objectives set out in the Millennium Development Goals. These policies will be more effective in an "enabling State" — that is, a facilitating State, not an inert or interfering one — and even more so where the private sector is a full partner in development. An enhanced multilateral approach will also be essential.

2. Recommendations put forward by participants

9. If there is to be a realistic chance of achieving the MDGs, action is needed now. With this in mind, participants in the high-level segment of the fifty-fifth session of the Trade and Development Board put forward the following suggestions for the consideration of the international community:

(a) Integrate efforts to achieve the MDGs within a broader economic development strategy, as focusing on specific MDG targets in a compartmentalized way is unlikely to be sustainable. There should be a greater emphasis on production, improvement of productivity and productive capacities in agriculture, manufacturing and services, and infrastructure development in efforts to achieve the MDGs, as their achievement will require a combination of rising private incomes (based on productive employment) and improved access to public services (e.g. education, health, water and sanitation);

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[2] The following keynote speakers made presentations and took part in the interactive debate:
H.E. Ms. Monique Nsanzabaganwa, Minister of Trade and Industry, Rwanda
H.E. Mr. Temístocles Montás, Minister of Economy, Planning and Development, Dominican Republic
Mr. Yasuo Hayashi, Chairman and Chief Executive Officer, Japanese External Trade Organization
H.E. Mr. Enrique A. Manalo, Vice-Minister for Foreign Affairs, Philippines
H.E. Ms. Lineo Molise, Assistant Minister of Home Affairs, Lesotho
Ms. Alicia Bárcena, Executive Secretary, Economic Commission for Latin America and the Caribbean
Ms. Mia Horn af Rantzien, Deputy Director-General, Swedish International Development Cooperation

(b) Strengthen the global partnership for development in ways that reflect current global realities, including the growing presence of new donors and philanthropic actors. The need for strengthened partnership has been heightened by the worsening global outlook;

(c) Reorient the role of the State so that it can act as an enabling State that not only corrects market failures but also proactively delivers development objectives, including the MDGs, and also responds effectively to shocks;

(d) Promote genuine country ownership of national development strategies in order to increase the developmental effectiveness of aid;

(e) Approach the food crisis, which is adversely affecting progress towards the MDGs, as a long-term development failure and not simply as a short-term emergency problem;

(f) Approach climate change and energy security problems as critical cross-cutting issues in the context of developing productive capacities and achieving the MDGs. Vulnerability to energy shortages and natural disasters is growing and could significantly set back progress towards the MDGs;

(g) Continue to pursue the successful conclusion of the Doha Round of trade talks with a significant development package. Greater market access opportunities and the resulting trade can be a powerful mechanism for generating resources to achieve the MDGs, and can have direct effects on employment and poverty. Duty-free and quota-free access for all LDCs must be implemented expeditiously;

(h) Implement Aid for Trade without delay and regardless of the outcome of the Doha Round;

(i) Scale up official development assistance (ODA) to meet the MDGs in line with existing commitments, but also rebalance the composition of aid so that a greater share goes to productive sectors and economic infrastructure;

(j) Reverse the decline in ODA for the agriculture sector;

(k) Introduce new policies and collaborative schemes in both home and recipient countries to harness the role of remittances, both as a potential form of productive investment and a source of income security, through cash transfer programmes or through matching funds from the State;

(l) Make full use of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, due to be held in Doha in November/December 2008, to address financing for development needs in the light of the new global realities, including the credit crunch;

(m) Encourage donor countries to ensure that their domestic policies in such areas as trade, finance and technology are supportive of productive capacity-building in developing countries;

(n) Improve coordination among international organizations, including through the Chief Executives Board cluster on trade and productive capacity; donors are encouraged to support the further operationalization of this cluster.

3. Summary of discussions

10. Progress towards the achievement of the MDGs has been uneven. Sub-Saharan Africa, in particular, has underperformed so far. Multiple crises in the fields of energy, food and finance are currently threatening to undermine or reverse the gains which have been made. Economic development is essential for the successful achievement of the MDGs, and the best way to achieve them — particularly the goal of reducing poverty — is to integrate efforts to achieve them into a broad economic development strategy. Such an approach would address the opportunities and challenges of globalization by means of comprehensive development programmes covering, among other things, productive capacities, physical infrastructure and the generation of employment opportunities. It would also take into account the new emerging issues that have had a positive or negative effect on the achievement of internationally agreed development goals, such as climate change or the potential contribution of migrants to the development of their countries of origin through remittances. In all these efforts, an enhanced multilateral approach will be essential.

11. The State has an enabling role to play not only in creating the conditions for a vibrant private sector but also in ensuring that it has in place policies that focus on appropriate development priorities. In times of crisis, the State needs to maintain stable and sustainable market structures by promoting good governance at all levels. State policy should be balanced in such a way that operational space for private enterprises and investors is matched by appropriate regulatory policies to safeguard sustainable development.

12. The private sector also has a vital role to play in the development process. Public-private partnerships between the State and the private sector can be very effective in this respect. An enabling environment needs to be created that helps build productive capacity by offering the private sector greater opportunities to invest and undertake new activities. Greater access to the markets of the developed countries is a key aspect of an enabling environment. New ways need to be explored to increase the involvement of the private sector in the development agenda. These could include the exchange of knowledge and experience between business people, investors and small and medium-sized enterprises, on the one hand, and development experts, on the other. Evidence from Latin America has shown that many companies that have incorporated corporate social responsibility in their business models have contributed to the environmental and social dimensions of the development process. A multi-stakeholder approach in which all national actors are involved can also have benefits at the multilateral level, as each stakeholder's interests have already been taken on board by the time the Government reaches the negotiating table.

13. As far as financing for development is concerned, there is agreement that the quality and quantity of ODA should be improved. There is a widespread belief in developing countries that more debt relief is needed and that innovative sources of financing need to be found. These countries have had varying degrees of success in their efforts to attract investment from abroad; sometimes investors are deterred by poor ratings from influential rating agencies, which the countries concerned feel are lacking in objectivity.

14. There is a need to reverse the declining trend in ODA to the agricultural sector in developing countries: this trend has led to a reduction in public investment in

support of agriculture. The neglect of agricultural productivity growth can be considered as one of the factors that have contributed to the ongoing food crisis.

15. Efficient coordination within the international community, particularly among intergovernmental organizations, is essential in building the productive capacities of developing countries. There should certainly be no harmful competition among donors or development agencies. Coordination should be backed up by efforts by donor countries to reach their declared targets for official development assistance, which should be focused on the needs and priorities identified by recipient countries.

16. With a view to effectively redirecting development assistance towards building productive capacities, UNCTAD, in its analytical work, should examine the broader developmental impact of strengthening the business sector, especially at the level of small and medium-sized enterprises. The United Nations system as a whole should also identify the sectors in which development would best benefit individual countries. In its various forums it should also provide a space where development-related norms can be developed, while at the same time taking into consideration the needs and concerns of all development stakeholders.

17. The Aid for Trade initiative, the Enhanced Integrated Framework for Trade-related Technical Assistance to Least Developed Countries and similar tools are all useful for supporting development, but development assistance in general needs to be better focused, especially on the specific needs of the least developed countries, which are marginalized in global trade and face acute economic and other problems on the domestic front.

18. A word of caution needs to be sounded on the economic partnership agreements that developing countries are signing with developed countries. Developing countries' trade partners are requested to continue to work on ensuring effective access to their markets by addressing the rules-of-origin constraints in such agreements. On a positive note, under the Accra Accord, UNCTAD has a mandate that allows it to direct its technical assistance towards building the productive capacities of developing countries while taking into account the impact on economic development of emerging issues such as climate change, rising food and energy prices, the financial crisis and remittances.

C. Interdependence: mobilizing resources for development — commodity prices, productive capacity, supply and distribution

19. In the discussion on chapters 1 to 3 of the *Trade and Development Report, 2008*, delegations broadly welcomed the report and its focus on the mobilization of resources for development. The report prepared the groundwork for forthcoming discussions on the achievement of the Millennium Development Goals and the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus. It provided (a) a clear assessment of the current economic situation, including a useful and pertinent analysis of the recent financial turmoil; (b) a detailed discussion of the policy implications of recent increases of commodity and food prices; (c) rich and comprehensive insights on crucial matters for the economies of developing countries; and (e) an excellent basis for a better informed debate.

20. Delegations were concerned about the deterioration of the global economic situation due to the financial crisis in the United States and its possible repercussions for other countries, especially developing countries. There were fears about the increasing risks that the slowdown in developed countries would be transmitted to developing countries. In general, developing countries were considered to be better prepared to face the crisis than in the past, because they had recently recorded robust external financial gains, as reflected in their current-account surpluses and their accumulation of reserves. Those countries had become less dependent on foreign capital inflows, and the risk of contagion from financial crisis was low. However, developing countries would be more affected by indirect effects stemming from the real sector, as demand for goods would be reduced as a result of the global economic slowdown.

21. As for policies to respond to the crisis, some delegations questioned the usefulness of bailouts of financial institutions in developed countries, but such bailouts were in the end considered useful for public interest purposes, as financial institutions fulfilled an important service function for the productive sector. Bailouts also tackled systemic risks, as their costs were less than allowing the crisis to spread further. Nevertheless, it was agreed that public assistance should not be free of charge and that there was a need to increase regulation in financial markets in order to prevent the recurrence of financial crises. There was also broad agreement that market discipline was not sufficient and that there was a need for a more proactive role of the State in monitoring financial markets and preventing financial crises. Governments should even in some cases properly target important prices such as interest rates and exchange rates.

22. Many delegations agreed that the solution to the financial crisis should be global, in the form of increased international macroeconomic policy coordination. Reform of the international financial architecture was considered a priority. However, it was pointed out that developed countries had repeatedly refused to put such reform on the international agenda. Global macroeconomic coordination implied that surplus countries, particularly the European Union, should take a more proactive role, adopting policies to counter the recessionary trends and expand demand. It should also include coordination of exchange rate policies. Divergence of the monetary policies of central banks in major countries might invite new speculation and further destabilize the system. Some delegations also emphasized the importance of regional monetary and financial cooperation as a response to the financial crisis. Delegations agreed on the relevance of regional cooperation for development in other areas, such as trade and infrastructure development, as well as addressing the global food crisis.

23. There was broad agreement on the importance of commodities for development in developing countries and the need for a multifaceted approach to commodities. Price increases had benefited many commodity-producing developing countries, with the corresponding improvements in their terms of trade and current-account balances. However, many other developing countries were facing the challenge of increasing food and energy prices, particularly in Africa. Delegations widely agreed that speculation had been a major factor behind the surge in commodity prices. That reflected the closer links between commodity markets and financial markets. It was also highlighted that the surge in commodity prices did not necessarily translate into increased revenues in commodity-exporting developing

countries, but was often absorbed by an increase in transnational corporations' profits.

24. Many delegations agreed that restrictive monetary policies in response to commodity price increases could pose a considerable recessionary risk. In addition, commodity price volatility remained a major cause of vulnerability in developing countries. Price increases might not be sustainable, as reduced demand following global economic slowdown, delayed supply responses and speculation might lead to a weakening of commodity prices. Delegations agreed on the pertinence of the *Trade and Development Report, 2008* recommendation regarding the improvement and creation of mechanisms to tackle commodity price volatility. An additional possible measure to reduce such volatility was to limit excessive speculation in commodity markets. At the national level, some types of commodity stabilization funds were considered useful. There was wide agreement that the solution to commodity dependence in developing countries would come through diversification and industrialization, which would require increasing investment in productive capacities.

25. There was broad consensus that the food crisis and its social consequences were a major challenge for developing countries, particularly low-income countries. That crisis was critically endangering progress towards achieving the Millennium Development Goals. The role of biofuel demand, together with speculation and climate change, in food price increases was emphasized. The solution to the food crisis should also be global, helping developing countries to enhance food production capacity, and the needs of small farmers should be addressed, with a focus on sustainable agricultural production. Regional approaches to food security were also considered of interest. Measures to restrict trade in food products should be avoided and agricultural subsidies in developed countries eliminated. Official development assistance should be increased to address both emergency needs and long-term agricultural production constraints.

26. Even in light of capital flowing "uphill", development assistance and debt relief were still required to achieve the MDGs in many developing countries, to step up domestic investment, support social expenditure and carry out structural change beyond 2015. Delegations widely supported the call made in the *Trade and Development Report, 2008* to increase official development assistance to developing countries and to properly target it to growth-related activities. One delegation added the qualification that the latter should not undermine aid for social purposes. There was wide agreement on the need to reinforce the Global Partnership for Development, including civil society and the private sector, in order to tackle the global challenges stemming from both the financial and the food crises.

27. Delegations emphasized the relevance of the Accra Accord mandate and welcomed the initial steps taken by UNCTAD to implement it. There was a need to strengthen the integrated and holistic approach to development for which UNCTAD was traditionally known. It should continue its independent research and analysis work, and contribute to fostering greater coherence among the multilateral trading, financial and monetary systems for a more stable and development-friendly global economic system. UNCTAD should also continue providing important policy advice for developing countries to help them better address the challenges and opportunities posed by globalization and interdependence.

D. Review of progress in the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010

Summary by the Chair of Sessional Committee I

28. Several speakers underlined the significant improvements in the economic performance of LDCs in recent years, as documented in *The Least Developed Countries Report 2008: Growth, Poverty and the Terms of Development Partnership*. In the period 2005-2007, LDCs as a group had attained the growth target of 7 per cent set out in the Programme of Action for the Least Developed Countries in the Decade 2001-2010, thanks to a confluence of favourable conditions, including better national development policies, higher export prices for commodities and increased partnership with the international community. In 2006, exports from LDCs had reached a record level, ODA flows to them had increased substantially, and 16 of them had received significant debt relief. Consequently, the incidence of extreme poverty had decreased from a peak of 44 per cent in 1994 to 36 per cent in 2005.

29. However, there was growing concern that it would be difficult to sustain the improved economic performance of LDCs in the long term, as growth in those countries remained fragile and non-inclusive. That was primarily due to the uncertainties clouding the global economic horizon, which had profound implications for the growth and development prospects of LDCs and for the implementation of the Programme of Action. The current high energy and food prices were concrete examples of adverse external factors that could undermine the socio-economic performance of oil-importing and net food-importing LDCs. Furthermore, although the incidence of extreme poverty in LDCs was declining, on average three quarters of their population continued to be poor. Contrary to expectations, the rapid economic growth experienced by LDCs since 2000 had been accompanied by only a marginal acceleration in poverty reduction. The overall implication of those trends was that broad-based success in achieving progress towards the MDGs was as yet elusive in LDCs.

30. For LDCs to make concrete and sustained progress towards internationally agreed goals and targets, urgent action should be taken at the national and global levels. At the national level, LDC Governments needed to be more proactive and act as a catalyst to stimulate productive activities, including by creating stronger enabling environments for business and investment. At the international level, donors needed to reorient their priorities with an emphasis on LDCs' productive sectors. Further policy actions should include improving aid effectiveness through better alignment, which implied changing the structure and delivery of development partnerships and greater use of home-grown solutions to development issues. UNCTAD could play an enabling role in assisting LDCs in putting such ideas into practice and increasing the effectiveness of aid management.

31. The recent and ongoing food crisis had exposed major structural weaknesses and vulnerabilities of the agricultural sectors in LDCs. In recent decades, many LDCs had gone from being agricultural exporters to being agricultural importers, which had contributed to chronic balance-of-payments difficulties. Recently the food crisis had hit LDCs hard, with 21 of them becoming "food insecure". It was proposed that UNCTAD should re-examine the causes for declining productivity in

agriculture in LDCs and explore innovative policy agendas for reviving its critical importance in the overall economic performance of LDCs. The strengthening of food productivity on a sustainable basis could play a fundamental role in the growth of LDCs as well as in fighting poverty. Special attention ought to be given to small-scale producers, who were among the most vulnerable groups. In that context, UNCTAD should explore how such an approach could be better supported by the international trading system. Existing flexibilities should be fully utilized. UNCTAD should carry out studies on that theme and serve as a platform for the exchange of knowledge and experiences between countries.

32. There was agreement that the current system of delivery and management of ODA to developing countries was marred by inefficiencies and limitations, such as an array of policy conditionalities tied to aid, which could undermine country ownership. It was suggested that such policy conditionalities were generally ineffective and should be abandoned.

33. The bulk of ODA was being directed at social consumption, particularly health, education and sanitation. Whilst important, such prioritization of aid failed to foster productive dynamics generating the economic resources that would facilitate public spending to be undertaken by national Governments independently of foreign aid. Additional ODA was thus required in order to sustain such expenditure. Recipient countries — particularly LDCs — were pursuing MDG strategies based largely on the scaling-up of aid, rather than on the development of the domestic resources based on a resilient economic and productive infrastructure.

34. Governments in the countries most dependent on aid had over the years specialized in aid-seeking and aid management, partly because of the complexities of aid delivery. Such specialization had prevented them from developing the technical, political, financial and managerial capacities needed to produce an independent development strategy and to design and implement policy. Indigenous knowledge development had thus been hampered. The current aid system therefore tended to reinforce aid dependency and thereby to perpetuate the highly asymmetrical aid relations between donors and recipients. Several speakers noted that new donor countries had emerged recently, particularly among middle-income developing countries and natural resource exporters that had accumulated large foreign reserves. That development had led to the emergence of a new aid architecture, replete with its own unique set of opportunities and challenges.

35. Attention was drawn to the outcome of the High-level Forum on Aid Effectiveness held in Accra in September 2008, which reviewed whether LDCs were on track for achieving the targets in the Paris Declaration on Aid Effectiveness. The following points were highlighted:

(a) Capacity and ownership went hand in hand — enhanced capacity was needed for all stakeholders to engage in policy dialogue and formation — and there was a need to promote endogenous knowledge;

(b) Policy conditionalities did not work as donors intended, and could undermine country ownership. Core conditions included respect for human rights and the rights of women;

(c) There was a need for greater accountability and transparency in terms of information and aid predictability. Parliaments and local government had a key role to play in developing country ownership;

(d) South-South and trilateral cooperation could contribute to more effectiveness, especially with respect to capacity development;

(e) LDC ownership of the process, whether reflected in national development programmes or aid management policy, was essential.

36. It was suggested that the international community should work more coherently to improve aid effectiveness. The importance of peer pressure in driving forward the agenda for aid effectiveness was stressed. Developing countries welcomed commitments by donors to promote broad-based democratic ownership of aid management and move towards the further untying of aid.

37. While there was broad consensus that aid needed to be made more effective, several speakers queried its true relevance to LDCs. The record showed that aid could help reduce poverty if it was used to strengthen domestic resource mobilization, build productive capacities and help diversify the economy. The danger was that it might perpetuate an unhealthy dependence on donors and unequal development partnerships. More effective aid depended as much on the quality and direction of aid as on the quantity of aid.

38. To achieve inclusive growth, it was noted, the State needed to play a proactive, catalytic role, by creating an enabling environment for investment, growth and diversification. In most LDCs, that would involve greater public investment, which could be used to "crowd in" private investment, and strategic fiscal measures. It was pointed out that the recent pattern of aid management had all too often encouraged a softening of State structures that was inconsistent with a proactive role.

39. Improving aid management policies should involve better use of aid not merely as an emergency measure or out of charity, but as a development tool. Aid should therefore be managed with an eye to funding infrastructure development and helping to build judicial and administrative capacity in key areas of public management. In many LDCs where commodity exports provided the initial growth impetus, aid could be used to strengthen State capacities to deal with TNCs, through, for example, more equitable fiscal codes — particularly in resource-intensive industries — which could in turn help facilitate capital formation and mobilize resources for development.

40. Currently, the aid system was not effective. Only a quarter of all aid disbursements were directed at productive sector activities, as donors focused more on social issues. Moreover, a large percentage of aid flows entirely circumvented national budgetary processes. Donors' and recipients' agendas needed to be realigned to avoid weak country ownership. It was proposed that the issue of MDGs should be addressed in the context of economic transformation through developing domestic productive capacities with a view to eliminating aid dependence.

41. The request was made that the policy recommendations contained in *The Least Developed Countries Report 2008* on designing development policies and strategies, as well as the terms of development partnership, should be considered by all the relevant international organizations and multilateral agencies in implementing MDG strategies.

E. Economic development in Africa: trade liberalization and export performance in Africa

Summary by the Chair of Sessional Committee II

42. It was noted that Africa's substantial efforts in terms of trade liberalization over the previous three decades had yielded limited benefits. In fact, in spite of the commodity price hike experienced in the previous few years, Africa's export market share had been halved during the period of liberalization. From 6 per cent in 1980, Africa accounted for only 3 per cent of total exports in 2006. A key obstacle to export growth was the lack of adequate supply in the agricultural and manufacturing sectors. Hence, for trade liberalization to have a strong impact on Africa's exports, the State would have to put in place accompanying measures that strengthened Africa's production and trading infrastructure. At the firm and farm level, there was a need to raise productivity and adopt technologies that increased competitiveness if Africa was substantially to take advantage of the liberalized trading system.

43. The analysis in the 2008 *Economic Development in Africa* report highlighted the limitations of policies that considered trade liberalization as an end in itself rather than a means through which African countries could increase their economic growth through trade and achieve the MDGs and other internationally agreed development goals. African countries and their development partners would need to work together to do more than liberalize trade to benefit from trading opportunities offered by the international economy. African economies needed to be more diversified and more competitive. That required massive investments in productive and trading infrastructure, implying a shift in the allocation of development resources towards more infrastructure financing. Effecting such change would require strong domestic institutions, particularly a capable and enabling State able to articulate that vision into actionable policies and put in place a conducive business environment while, at the same time, facilitating economic agents' access to factors of production. The State would have to ensure that Africa's infrastructure — including roads, railways, ports, airports, telecommunications and power generation — was reliable, to help achieve a smooth production and trading process at low cost.

44. Participants felt that, for Africa to increase its infrastructure and productive capacities, it needed financial and technical resources which were beyond its capacity. Moreover, international support measures, particularly from Africa's trading and development partners, would be needed to help Africa derive maximum benefits from trade. It was felt that importing economies should provide greater access for African products to their markets. That was particularly important for agricultural products, which were affected by unfair domestic policies in importing countries. Where African products failed to enter export markets due to standards which did not meet the strict requirements of the importing economies, the latter should increase their assistance to help Africa's exports meet such requirements.

45. It was felt that Africa's development partners should be sensitive to the fact that many African countries had weak institutions which limited their capacity to defend their economic agenda in an isolated way. As a result, multilateral negotiations rather than bilateral forums should be favoured as the best avenue for Africa to make its case. In the same connection, Africa's development partners'

development assistance should respond to the needs of beneficiaries rather than just fulfilling the interests of donors.

46. Intra-African cooperation offered important trade and investment possibilities for African economies. Whereas many African countries had seen their trade and investment with other developing regions soar over the previous few years, intra-African trade and investment had remained relatively low. One explanation was that African economies were still dependent on colonial economic structures which were oriented towards the colonial Powers. Putting in place regional economic infrastructure as advocated by the New Partnership for Africa's Development (NEPAD) could create substantial investment and trade opportunities within the continent.

47. The current food crisis facing many African countries brought to the fore the importance of agriculture for Africa's development. Despite the fact that agriculture was the backbone of many African economies, the sector had been declining over the previous few decades. One explanation was that the disengagement of the State from economic activity in the early 1980s had resulted in the neglect of the agricultural sector, given the prominent role the State had been playing in that sector. That needed to change. In the medium term, with appropriate assistance from the State, many African countries had the potential to substantially increase their agricultural production to meet their food needs and even to export. If the current market trends continued, refocusing on Africa's agriculture by committing at least 10 per cent of the budget to the sector — as provided for in the African Union and NEPAD 2003 Maputo Declaration — could offer a rare opportunity to diversify African countries' export base. To achieve that, Africa could learn from the experience of many countries which had succeeded in overcoming a number of challenges to become some of the most efficient agricultural producers.

48. There was agreement that Africa played almost no role in the trade of manufactured products, which explained its extreme dependence on the volatility of the international market in primary products. Although Africa's business environment had improved over the years, there was still a pressing need to attract investment from both domestic and foreign investors. That explained the continent's weak manufacturing performance. It was felt that the trend could be reversed by (a) reducing risk and uncertainty through improvements in political and economic governance; (b) better access to factors of production, such as credit and human capital; and (c) adoption of an industrial policy that would enable small manufacturing firms to grow into efficient and competitive units. Such an environment would also encourage domestic and foreign investors to create large firms that were competitive in international markets.

49. In order to ensure that the interesting recommendations contained in the report were useful to member States, it was felt that UNCTAD must find ways of making them operational at the country level. UNCTAD should continue to improve its dissemination strategy of the findings of its analytical reports so as to reach as many development stakeholders as possible at the regional and country levels. Regional and national dissemination workshops had been used in the past, and it was felt they should be increased whenever resources permitted. In line with African countries' own development strategies, those findings should also inform UNCTAD's technical assistance and support to those countries, both at the domestic and international levels. UNCTAD must take advantage of the Aid for Trade and Enhanced Integrated

Framework initiatives as some of the available delivery mechanisms to channel its trade-related assistance to Africa.

50. There was interest in the economic partnership agreements between countries from the African, Caribbean and Pacific Group of States and the European Union, although that topic was not specifically discussed in the report. In general, many delegations cautioned against the risk that economic partnership agreements, as they currently stood, could generate asymmetric benefits to the parties unless the key concerns expressed by some of the signatories were genuinely addressed.

51. Participants noted that the New Asian-African Strategic Partnership provided opportunities to exchange experiences and lessons learned, and also to promote interregional business opportunities and capacity-building activities. The importance of UNCTAD's support in strengthening the partnership was stressed, and there were calls for the International Trade Centre to help strengthen business-sector interactions between Asia and Africa.

F. Evolution of the international trading system and of international trade from a development perspective

52. Participants agreed that effective global economic governance and multilaterally concerted actions were urgently needed to address far-reaching, deep-rooted development challenges and the imminent prospect of a global economic downturn, which adversely affected economic welfare and exacerbated poverty. International trade and the trading system should operate in a coherent manner within a broader system of global economic governance. Governments had a prominent role to play in creating enabling environments for trade and development.

53. The global food crisis had affected progress towards eradicating poverty and hunger, as well as promoting health. The crisis was partly caused by disincentives in agricultural sectors and weakened agricultural productive capacities in developing countries, including as a result of trade policy measures and structural adjustments. The enhancement of agricultural productivity through aid for agriculture, the elimination of trade distortion, and diversification in commodity-dependent developing countries were essential. High energy and commodity prices had raised transport and other input costs in the production of goods and services, and changed the terms of trade for countries. The recent worsening of the global financial crisis appeared to indicate that unregulated market forces alone could not be relied upon indefinitely, and effective rules and regulations at all levels were warranted. Global warming posed a long-term human challenge, while possible measures to combat climate change, such as carbon taxes and border tax adjustments, could have adverse effects on developing countries' trade. Increased international migration, with the associated remittance flows, had paved the way for trade, investment and development links between countries, and for the transfer of technology and skills.

54. Participants stressed that, while trade was not a panacea to developmental challenges, it played an important role. The Doha Round of trade negotiations provided unique opportunities to reform and rebalance the existing system in favour of development, thereby making an important contribution to the attainment of Millennium Development Goal 8, on a global partnership for development. A well-functioning, universal, rules-based, open, non-discriminatory and equitable multilateral trading system, as recognized in the Accra Accord, could deliver major

benefits for development. While North-South trade remained significant, South-South trade had tremendous potential. The opening-up of trade needed to be appropriately sequenced and regulated to pre-empt de-industrialization, and to be accompanied by measures aimed at strengthening productive capacities, including in services, particularly through the operationalization of the Aid for Trade and other development initiatives.

55. Participants regretted the failure of the WTO meeting in July 2008 to set the basis for concluding the Doha Round in 2008. That failure was regarded as a setback to the multilateral trading system. Several participants noted that a deal was within reach, as significant progress had been achieved in discussions by a small group of countries on a variety of issues that had remained intractable for years. It was pointed out that failure to take advantage of the progress made would entail opportunity costs, especially for developing countries, in the form of continued trade distortion, tariff barriers and non-tariff trade barriers, renewed protectionism, more bilateral and regional arrangements, and trade disputes. Several participants noted that many developing countries were not part of the process, as they were outside the small group of States involved in the discussions, and stressed the need for inclusiveness and transparency in the negotiations, while others noted that, given the time constraints, such discussions in a small group were necessary for the efficiency of the negotiations. The immediate cause of the collapse was partly attributed to disagreement over the issue of special safeguard mechanisms. However, many other issues remained unresolved and could have been deal-breakers. Several participants noted that balance in ambition and policy space across different subjects was not adequate, to the detriment of developing countries. Participants felt that progress was insufficient on developmental issues, including on cotton and Mode 4; some pointed to the lack of meaningful market access offers in emerging developing countries.

56. Participants agreed that the setback should not be allowed to derail the entire Doha Round or weaken the multilateral trading system. There was no better alternative than a fairer and more equitable, orderly and well-functioning multilateral trading system that provided a global public good to the benefit of all countries. No bilateral or regional agreements could address agricultural subsidies and anti-dumping rules or conduct tariff reductions as efficiently as the multilateral trading system. Several participants felt it was still possible to reach a deal on agricultural and non-agricultural market access modalities in 2008, while some expressed the view that the development content, rather than an artificial time-frame, mattered more. Many participants called upon those benefiting most from the system to demonstrate strong leadership, political commitment and engagement, while some said that contributions by all parties were required. Many felt it was important to pursue key development deliverables — such as timely provision of comprehensive and unqualified duty-free and quota-free treatment for LDCs with user-friendly rules of origin — in addition to actively promoting the operationalization of Aid for Trade and the Enhanced Integrated Framework.

57. It was recognized that the trading system had to adapt itself better to the structural changes occurring in real economies — including, on the one hand, the greater prominence of developing countries emerging as the "new South" and, on the other, the growing divergence of developing countries, which gave rise to "de facto differentiation" across various groupings such as LDCs, small and vulnerable economies, the so-called "paragraph 8 countries", preference-dependent countries or

recently acceded members of WTO. The importance of continued South-South solidarity in the context of common development denominators was also noted. About half the economic growth until 2013 was expected to come from emerging developing countries, and corresponding adjustments would be warranted in the trading system. Several participants emphasized the importance of achieving universality in the system and promoting countries' accession to WTO on terms commensurate with their level of development. The trading system also faced the challenge of effectively managing an ever-enlarging diverse and complex trade agenda while many development-related issues remained largely unaddressed.

58. Complexities created by proliferating regional and bilateral agreements were a matter of concern. Improving multilateral oversight and improved transparency was considered important. While the positive contribution of WTO-consistent regional integration for growth and development was noted, concern was expressed that certain bilateral and regional agreements could bypass multilateral negotiations. Accordingly, the multilateral rules governing regional trade agreements might need to be reformed to incorporate effective special and differential treatment provisions. South-South integration and cooperation had come to represent tremendous opportunities, which needed to be sustained and supported. Regional cooperative mechanisms in the areas of technology, productive capacity, infrastructure and trade facilitation also played an important role.

59. Participants stressed that UNCTAD remained an important pillar of global trade and development governance, as well as a consensus-builder that promoted more effective solidarity and global partnership for development. They also acknowledged the intellectual, moral and operational support the organization had given to developing countries. UNCTAD should help countries build their trade and productive capacities, including through Aid for Trade, to help them advance towards the achievement of the Millennium Development Goals, including poverty reduction. It should also continue its mission of promoting intergovernmental policy dialogue that focused on practical solutions. Finally, UNCTAD should support members in their efforts to sustain multilateralism, including by revitalizing the Doha Round, and facilitate the beneficial participation of developing countries in the international trading system, including through capacity-building programmes.

G. Development strategies in a globalized world: financial policies and productive investment related to trade and development

60. The substantive discussion on agenda item 7 was based on the *Trade and Development Report, 2008* (especially chaps. 4-7), but was also shaped by the current dramatic developments in the financial markets, especially in the United States of America. The decision by the United States Government to bail out large financial firms in order to calm financial markets was interpreted as an indication that the State had an important role to play, not only in stabilizing, but also in supervising and regulating the financial sector.

61. The discussion highlighted the fact that, since 2000, developing countries as a group had been net exporters of capital. The increase in capital exports, which was the counterpart to a substantial improvement of current account balances, was attributed to two principle reasons: (a) an increase in commodity prices, which was benefiting commodity-exporting economies; and (b) a reorientation of

macroeconomic policies in many emerging economies to maintain competitive exchange rates and avoid real currency overvaluation. It was suggested that the reorientation of macroeconomic policies was not so much the result of a grand design, but largely the result of financial crises that had struck many developing countries during the previous decade.

62. The discussion also stressed that countries with net capital exports were also those that had higher rates of investment and growth. That fact was understood to challenge orthodox economic theories, which maintained that capital should flow from rich to poor countries, where marginal returns were higher, and that poor countries depended on foreign capital to finance higher investments.

63. It was also noted that, contrary to orthodox economic theory, an increase in investment did not require a prior increase in savings, especially by households; higher investment could be financed from accrued profits as well as credit created in the banking system, subsequently leading to an increase in aggregate savings.

64. It was highlighted that, in most developing countries, stock markets accounted for a very small portion of investment financing, as opportunities to issue were limited, especially for small and new firms. The weakness of the banking sector in many developing countries was a major concern for several delegations.

65. It was also pointed out that financial sector reforms had rarely delivered on their promises, and had not contributed to lasting improvements in investment financing. Lending rates remained high and bank credit was extended primarily to the public sector and for private consumption. Delegations noted that credit flowing to the productive sector was often heavily concentrated on a few large firms, and that financing of agricultural investment was particularly weak. Many delegations saw a role for Governments and central banks in directing credit to private sector investment, through instruments such as development banks, public ownership of commercial banks and public credit guarantees.

66. The fact that in many developing countries the largest part of the economy lacked access to banking services was considered another major problem. It was suggested that microfinance institutions played an important role in some countries, but were no substitute for a functioning commercial banking sector, as they typically provided credit in relatively small volumes, at relatively high interest rates and for relatively short durations. It was also considered important to link informal financing schemes with formal ones.

67. Although a considerable number of developing countries had seen an improvement of their external position, delegations stressed that most countries continued to depend on external resources, including foreign direct investment but especially official development assistance. While the substantial increase in ODA since 2002 was generally welcomed, it was pointed out that most donors were not on track to meet their ODA pledges. Furthermore, a large part of the increase in ODA was due to debt relief, which was recognized as not having been fully additional as stipulated in the Monterrey Consensus. It was also observed that many developing countries could require further debt relief.

68. Delegations also took note of two shifts in aid. Measured as a share of total ODA, development-oriented aid had decreased relative to emergency-related aid, and the share of economic aid had decreased relative to social aid. While ODA for social sectors was considered important for progress towards the Millennium

Development Goals, it was stressed that additional ODA should flow into projects related to economic infrastructure and production. That was considered indispensable for higher and more sustained rates of growth in gross domestic product, which was a precondition for more and more productive employment, and for a sustainable reduction of poverty.

69. In addition to social and human development objectives, many developing countries viewed structural economic change and employment creation as key objectives. Delegations proposed that the effectiveness of aid be measured by the contribution of aid to those objectives and suggested that the measures of aid effectiveness be expanded accordingly.

70. It was highlighted that meeting the Millennium Development Goals still required raising the annual flows of ODA to poor nations by at least $50-60 billion above their current levels. Additional resources were needed to finance necessary investment in infrastructure and production. It was suggested that national and international support for facilitating workers' remittances could also foster investment finance.

71. It was also suggested that the current financial crisis must lead to a paradigm shift in economic theory and policy. The crisis had highlighted the inherent risks associated with liberated and unregulated financial markets, and pointed to the need for a strengthened role for the State in supervising and regulating financial activities. Governments should be more active, intervening before bailouts of financial firms became necessary. However, if such bailouts became inevitable to avoid greater damage to the economy as a whole, they should not be free of charge: the financial institutions saved from bankruptcy would have to be regulated more closely to prevent the recurrence of financial crises.

72. It was observed that the inflation risk resulting from commodity price increases might have been overestimated, whereas the risk stemming from tight monetary policies might have been underestimated, especially since many commodity prices had begun to decline. In that context, the discussion emphasized that — while tighter monetary policies could be effective in reducing inflationary pressures stemming from excess demand — they were not the optimal measure to curb inflation pressures originating on the supply side.

73. In order to prevent destabilizing financial speculation, prolonged exchange rate misalignments and unsustainable global economic imbalance, several delegations saw a need for international action to strengthen supervision and regulation of financial markets. A framework for timely and orderly exchange-rate adjustments and an effective mechanism for international coordination of macroeconomic policies were considered desirable. Avoiding a recession would require surplus economies to increase domestic demand to compensate for declining demand by the United States. Furthermore, it was considered necessary to prevent a competitive devaluation of exchange rates in response to a falling dollar.

74. Several delegations commended the UNCTAD secretariat for the high quality and relevance of its *Trade and Development Report, 2008*. The report was recognized as making important contributions to the upcoming Follow-up International Conference on Financing for Development, as well as the ongoing debate on aid effectiveness. Accordingly, the delegations encouraged the secretariat to make further contributions to both processes. It was recognized that the *Trade*

and Development Report had long highlighted — and indeed predicted — the dangers associated with deregulated financial markets. Delegations welcomed UNCTAD's rigorous and far-sighted analysis on monetary and financial issues, and asked the secretariat to strengthen its work in that area, which had a direct and important bearing on international trade and development.

H. Investment for development: transnational corporations, infrastructure and development

75. Delegations said that the choice of topic for the *World Investment Report 2008* — "transnational corporations and the infrastructure challenge" — was particularly timely, as high-quality infrastructure was essential to development and to the achievement of the Millennium Development Goals.

76. After a drop in 2000, global trends in flows of foreign direct investment (FDI) had risen steeply in recent years, reaching an all-time high of $1,833 billion in 2007. The upward trend was apparent in nearly all parts of the world, and showed both record inflows and much higher outflows for developing countries. However, delegations expressed concern about the adverse effects of the current financial crisis on FDI flows and of a slowdown in infrastructure development. Although the latest data available indicated a decline in FDI flows in 2008, investment flows to developing countries were expected to remain stable. According to some delegates, the current global trends highlighted the vulnerability of developing countries and the importance of the "enabling State", both to attract investment for infrastructure and for broader development. Speakers discussed the continuing rise of transnational corporations (TNCs) from the South, including in the context of South-South cooperation, in infrastructure industries such as telecommunications and ports. Another global trend discussed was the recent emergence of sovereign wealth funds as foreign direct investors. Although FDI represented only a small fraction of their total assets, such funds had huge potential.

77. Delegates emphasized the importance of infrastructure to economic development and the elimination of poverty, and recognized the large gap between infrastructure needs and available capital and capabilities in developing countries. Infrastructure projects were usually high-risk and highly capital-intensive, with long gestation periods. Developing countries, especially LDCs, often lacked the capacity to mobilize sufficient capital for major projects, and domestic resources were limited. It was important to "crowd-in" private investment in infrastructure, but many LDCs were marginalized in terms of TNC participation. In addition, institutional weaknesses in developing countries could prevent Governments from utilizing existing funds or implementing existing projects. There was an urgent need not only to increase investment but also to strengthen public administrative and management skills. In that context, both public and private investment had a role to play, as long as they took place in an appropriate environment and Governments were able to benefit from the involvement of the private sector.

78. The important role that TNCs could play in infrastructure development in developing countries was stressed. They not only complemented other sources of finance, but also brought new hard and soft technology with them, as well as expertise in infrastructure design and management. Further research was needed into

how the technology and know-how of infrastructure TNCs could be used to improve their impact in developing countries.

79. Improvements in the infrastructure in developing countries as a result of TNC participation were greatest and most common in the telecommunications and transport sectors. In industries such as electricity and water, which were so important to individuals and households, the experience was more mixed. Speakers mentioned the importance of creating a symbiosis to achieve an alignment of interests between TNCs, the private sector as a whole, donors and the development priorities of Governments, especially given the need to reconcile profitability and social needs. That problem was particularly pressing in LDCs, and a more synergistic relationship between ODA and FDI flows was proposed by some delegations.

80. Delegates agreed that Governments would continue to be major investors in infrastructure and observed that, encouraged by growth in their revenues, some Governments had increased their spending on it. Speakers also noted that Governments had a number of key roles to play, including as managers, regulators and guarantors. Governments could mobilize TNCs and maximize the benefits of TNC activities through effective management of the infrastructure industry, including by drawing up effective infrastructure development plans and strategies and putting in place an appropriate policy and legal framework. Delegates mentioned the need to continuously enhance the capacity of public officials by providing them with training and updating their skills. It was observed that Governments needed to create and develop strong, transparent and accountable institutional and regulatory frameworks, including by setting up strong regulatory bodies that would enable investments to achieve specific development objectives. They also needed to introduce efficient and transparent bidding procedures. To do that, they could draw on the experience of other developing countries. Delegations stressed the need to ensure that infrastructure development was "people-driven" and, to that end, encouraged the greater involvement of civil society and academia in that area.

81. As TNCs could play a valuable role in establishing and maintaining infrastructure, efforts should be made to involve them more in development planning processes, including through public-private partnerships (PPPs). Speakers discussed the merits of various models for private investment in public infrastructure, and agreed that improving governance was a prerequisite for the success of such partnerships. Several delegations suggested that greater involvement of civil society at large would ensure the long-term success of PPPs. It was noted that, under the various PPP arrangements, the public sector could work with the private sector, including TNCs, in different ways, including by offering credit and loan programmes and by sharing investment and operational risks, without opening themselves to the risk of contingency liabilities.

82. Delegates considered the role of TNCs in the infrastructure industry and in the host economy in general from the perspective of regional development and integration processes, remarking on the importance of regional infrastructure for trade. They noted that the infrastructure industry and the TNCs participating in it could help promote regional integration processes by developing an integrated regional economy and stimulating intra- and inter-regional trade and investment. At the same time, regional schemes and regional integration processes could serve to

mobilize TNCs and benefit from their involvement. It was pointed out that many countries and regions operated joint regional infrastructure investment projects relating to ports, airports and highways. Such projects offered a win-win opportunity for private sector participation within the framework of PPPs. However, it was noted that PPPs were rare in the regional framework. In that connection, some delegates requested UNCTAD to offer its perspectives on joint regional investment projects in infrastructure.

83. Delegations requested the secretariat to continue its research into the development impact of FDI. In particular, the secretariat was encouraged to conduct further comparative research on TNCs from the South and to explore the scope for deeper South-South cooperation. The need to create an environment conducive to investment, in particular with regard to adequate institutional and regulatory frameworks, was emphasized.

I. UNCTAD's contribution to the implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic and social fields

84. Delegations stressed the importance and relevance of the mandates given to UNCTAD in General Assembly resolution 57/270 B and paragraph 11 of the Accra Accord, and commended the secretariat for its contribution to the implementation of and follow-up to the outcomes of the World Summit on the Information Society and the 2005 World Summit. They welcomed the participation of the Secretary-General of UNCTAD in the United Nations Climate Change Conference held in Bali in 2007 and the High-level Conference on World Food Security held in Rome in 2008.

85. Many delegations saw the document entitled "Progress made in the implementation of the outcomes of the major United Nations conferences and summits, and UNCTAD's contribution" (TD/B/55/7) as a potential basis for the preparatory process for the upcoming Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus. UNCTAD's contributions to major conferences in the following areas were highlighted: the multilateral trading system; the food and energy crises; investment and enterprise development; debt financing; coherence of the international monetary, financial and trading systems; science and technology; and development issues of particular relevance to LDCs. The need to ensure that there was no duplication in the work of United Nations agencies was noted.

86. Some delegations expressed concern that developed countries' ODA fell short of their commitment to allocate 0.7 per cent of their gross national product to financing for development. It was felt that the shortfall could hamper the efforts of developing countries to meet their MDG targets and that, in the context of the current financial crisis, resources were likely to become even scarcer.

J. Review of the technical cooperation activities of UNCTAD

87. Delegations said that work to consolidate trust funds into clusters should continue, with a reduction in the overall number of thematic trust funds. The Project Review Committee should play a central role in that process. There was a call for

more proactive communication between the secretariat, beneficiaries and donors so as to make progress in the clustering process. Donors were invited to provide multi-year contributions to the newly established thematic trust funds.

88. The secretariat was requested to include an item on the agenda of the Working Party at its fifty-third session dealing with the interaction between the secretariat, potential beneficiaries and donors on UNCTAD's technical cooperation, in accordance with paragraph 220 of the Accra Accord.

89. It was felt that there was room for improvement in the allocation of resources, taking into consideration that the share of total expenditure devoted to LDCs and Africa should not be reduced.

90. UNCTAD was urged to continue to be actively involved in the inter-agency processes related to the Delivering as One system-wide coherence process and to take a leading role within the Chief Executives Board cluster on trade and productive capacity. The secretariat was encouraged to strengthen efforts regarding the integration of economic and trade-related issues in the United Nations Development Assistance Frameworks and similar national development assistance plans. The secretariat was invited to explore the possibilities for increasing the total number of training courses on key issues of the international economic agenda (under paragraph 166 of the Bangkok Plan of Action) and other capacity-building activities, including the Virtual Institute network and TrainForTrade. There was a call for UNCTAD to pay particular attention in its technical cooperation activities to providing support in the areas of commodities diversification, financing and competitiveness. Support should also be extended to oil-exporting developing countries in their negotiations with international corporations.

91. Some speakers encouraged member States to include in their delegations officials from the field in beneficiary countries to participate in the sessions of the Working Party and to provide, from their perspective, an assessment of the impact of UNCTAD's technical cooperation activities in their countries.

K. Report on UNCTAD's assistance to the Palestinian people

92. All speakers expressed appreciation for UNCTAD's technical assistance to the Palestinian people, and the majority of them shared the assessment contained in the report (TD/B/55/2) of recent economic development in the occupied Palestinian territory. Delegates noted the disturbing indicators that showed deep and long-lasting economic regression in the territory. They were alarmed by the cycle of "de-development", the destruction of Palestinian infrastructure and productive capacity, the lack of food security, the Palestinian economy's increased dependence on Israel, and the mutually reinforcing mechanisms that held back Palestinian economic recovery. Many speakers pointed out that the situation was the result of Israeli occupation practices, including the closure policy and mobility restrictions in the West Bank and Gaza and the construction of the separation barrier. Speakers expressed alarm at the distressful situation created by the isolation of Gaza, where the number of industrial establishments in operation had fallen by 95 per cent, two thirds of the population lived in absolute poverty and 80 per cent in relative poverty, and a third of the labour force was unemployed.

93. One delegate said that the report failed to mention that the root cause of the economic anomalies in the occupied Palestinian territory was the Israeli occupation, which denied the Palestinian private sector the freedom to create and innovate and threatened its very survival. A number of speakers were of the view that economic development could not be achieved under occupation.

94. Several delegates considered that living in poverty and isolation in the occupied Palestinian territory was tantamount to being kept in an open prison, and saw the economic strategy directed against the Palestinian people that led to that situation as a serious violation of international humanitarian law. Attention was drawn to the advisory opinion of the International Court of Justice, in which the court concluded that the construction of the separation barrier in the occupied Palestinian territory was a serious violation of a number of Israel's international obligations.

95. One delegate questioned how the report would contribute to the UNCTAD XII mandate, with its focus on Africa, and how half a day of debate on the Palestinian issue would contribute to the development needs of Africa or those of the Palestinian people. Instead of offering constructive advice, funds or creative solutions for revitalizing the programme of assistance to the Palestinian people, speakers were using inflammatory language to hijack the Trade and Development Board for a narrow political debate, while the report before the Board failed even to acknowledge the difficult security situation faced by Israel.

96. Most delegates agreed that correcting occupation-related economic distortions, rebuilding productive capacity and increasing donor support, while necessary, would not be sufficient to put the Palestinian economy on a path towards sustainable development. One delegate called for the current Palestinian economic policy framework — the Paris Protocol — to be reconsidered, to allow for expanded policy space as a step towards the establishment of a sovereign, contiguous, viable Palestinian State. Without self-determination for the Palestinian people, and the right to freely determine their own economic, social and cultural choices, economic policy was useless even in the short run.

97. For most delegates, empowering the Palestinian Authority with more policy space and the tools of fiscal, monetary, trade and exchange rate policies was essential to reviving the Palestinian economy and putting it on the path towards sustainable growth. Without such tools, foreign aid and international cooperation alone would not be able to bring about economic growth and development.

98. While a number of delegates welcomed the idea of considering a Palestinian national currency to enable economic policymaking, others did not, though for different reasons. One view was that the impoverished fiscal position of the Palestinian Authority would not support a national currency, while the other was that the adoption of a Palestinian currency made no sense in the context of the customs arrangements with Israel, under which the Palestinian economy benefited from the appreciation of the new Israeli sheqel. It was pointed out that expanded policy space with political stability would accelerate growth and reduce unemployment, and that all policy options, including the eventual introduction of a national currency, should be considered when the moment and conditions were favourable.

99. Many delegates called for greater and more predictable foreign aid for the Palestinian people, with no conditions attached, to allow the Palestinian Authority to play a greater role in aid allocation. Without foreign aid, the crisis would have taken an even greater toll. Some delegates believed that the closure policy and the destruction of the Palestinian productive base reduced the efficacy of foreign aid. A number of delegates drew attention to international efforts to support the Palestinian people, including efforts to strengthen Palestinian institutions, the convening of international conferences, a focus on well-targeted, human-centric capacity-building initiatives and efforts to increase Palestinian exports.

100. Many delegates commended UNCTAD for the achievements of its technical cooperation operations in extremely difficult field conditions, for its work to modernize Palestinian customs under the Asycuda programme, and for its engagement with the private sector, which had led to the establishment of the Palestinian Shippers Council. Nevertheless, delegates expressed concern about the lack of extrabudgetary resources, which left a number of important secretariat activities unfunded. Delegates called for the strengthening of UNCTAD's programme of assistance to the Palestinian people with adequate resources and related operational activities, as called for in paragraph 44 of the Accra Accord.

101. Most delegates stressed the need to achieve a just and lasting peace in line with all relevant United Nations resolutions related to the question of Palestine. One delegate noted that violence had never solved any problems, and that stability in the Middle East was vital to world peace. It was emphasized that all parties must work diligently towards the establishment of a Palestinian State as envisioned by the international community.

L. Hearing with civil society

1. The global food crisis: addressing a systemic failure in development strategy

102. Participants recognized the food crisis as a humanitarian emergency which threatened to put the Millennium Development Goals further out of reach and agreed that long-term sustainable solutions were needed. The food crisis had been exacerbated recently by increases in the prices of basic commodities and the current global turmoil had given rise to speculation on food commodities. At the same time, the surge in oil prices had led to increases in the costs of commodity production and accelerated the use of alternative energies that relied heavily on commodities. However, some participants saw the food crisis as a reflection of the failure of development approaches, which was best illustrated by the fact that agricultural productivity in much of Africa was lower than 50 years earlier. Participants identified other causes of the crisis such as deep liberalization of markets, lack of access for small farmers to global markets, and distortions due to subsidies in developed countries. The proportion of total ODA directed towards agriculture and the level of investment in productive capacities in developing countries were very low. Moreover, certain policy choices generated a situation in which some developing countries produced what they did not consume and consumed what they did not produce. It was pointed out that climate change, with its structural impact on developing countries, was another cause of the crisis.

103. Resolving the food crisis would require a broad-based partnership and coordinated response. In that connection, the High-level Task Force on the Global

Food Security Crisis set up by the Secretary-General of the United Nations had produced a comprehensive set of recommendations in its July 2008 report, "Comprehensive Framework for Action", which should be implemented. Participants called on donors to finance programmes for agricultural development. At the national level, the development of productive capacities in agriculture was considered vital to ensure food security in the long term, in order to avoid dependency on food imports. Priority should be given to endogenous policies and to local production in developing countries' efforts to rebuild their agricultural sector. Public policy should pay greater attention to the development of small-scale production as opposed to agri-businesses. Other suggestions put forward for achieving sustainable development of the agricultural sector included encouraging research and the dissemination of technology and know-how — making use of information and communication technologies, and training courses — increased South-South cooperation and the sharing of experiences. Acknowledging the role of women in the development process, some participants called for them to be given more opportunities to contribute to the reconstruction of the agricultural sector.

104. Several speakers called on UNCTAD, as an institution that supported developing countries in dealing with trade and development, to give policy advice with a focus on building productive capacities and increasing agricultural productivity, including through Aid for Trade programmes. In addition, there should be closer cooperation between UNCTAD and civil society organizations in addressing the food crisis. Participants also called on UNCTAD to encourage the reduction of agricultural subsidies in developed countries in order to ensure fair global competition.

2. The global financial crisis and its impacts on sustainable development

105. Several participants stressed that the current financial crisis was the most dramatic one of the past three decades, and its repercussions on the financial sphere and the real economy were global as a result of interdependence. Those repercussions had a major impact on efforts to achieve sustainable development, as the function of the financial sphere was to finance investment, and economic slowdown affected incomes and employment. Moreover, in some cases the public purse was paying for losses made by privately owned financial corporations.

106. The main drivers of the crisis were considered to be speculation and inadequate regulations, which were allowed under the principles of the free market economy. Regulations could help reduce the social impact of the financial crisis by guaranteeing ethical and human standards. Some rating agencies had also contributed to the crisis, as when a major financial corporation which was relatively well-rated had gone bankrupt. Many participants proposed a multilateral response to the crisis, which should include the establishment of a global body to regulate financial markets in general and the activities of hedge funds in particular. At the national level, there was a need for Governments to take steps to avoid the risks resulting from the speculative nature of the financial market. Regulatory oversight of that market was necessary to avoid biased interventions in favour of certain companies.

107. UNCTAD had demonstrated its ahead-of-the-curve thinking and objectivity in its predictions in relation to the recent crises. Participants called for the strategies advocated in the *Trade and Development Report*, policy briefs and other UNCTAD

publications to be translated into practical solutions and incorporated in international, regional and national policies. Civil society was encouraged to provide feedback on UNCTAD's work and to identify the areas in which UNCTAD should be engaged. It was suggested that UNCTAD should conduct an analysis of rating agencies and assess their role in developments in the financial markets. Several participants called on UNCTAD to support initiatives to introduce financial governance at the global level. Some participants called on UNCTAD to play an active role in convening an international conference to review the international financial and monetary architecture and global economic governance structures. It was suggested that such a conference would allow UNCTAD to assess the impacts of financial crises on developing countries and propose mitigation strategies.

M. Report of the Joint Advisory Group on the International Trade Centre UNCTAD/WTO on its forty-first session (Geneva, 4-5 December 2007)

108. It was stated that the Trade and Development Board normally took note — without substantive discussion — of the session reports of the International Trade Centre UNCTAD/WTO (ITC) Joint Advisory Group. Some delegations, however, felt that the Board should consider more carefully the Group's substantive work. Reasons included: (a) it was felt that the reform of ITC's governance was at a standstill; (b) there was an impression that ITC was ignoring work done at the country and regional levels, and that there was a duplication of UNCTAD's work; and (c) it was believed that the Board had not been paying enough attention to ITC's work.

109. Suggestions for addressing those problems included: (a) the introduction of effective governing measures for ITC; and (b) a strengthened UNCTAD coordinating role with ITC, including measures for UNCTAD to provide input into ITC without duplicating its work, in accordance with paragraph 182 of the Accra Accord.

110. It was also noted that ITC — the "brainchild" of UNCTAD and WTO — had no division for LDCs, although both parent organizations did.

111. Representatives of ITC acknowledged those criticisms — especially the slowness of the consultative process — and promised to address them. They said they were committed to more transparency and that ITC had done its best to facilitate discussion on how to improve consultations; there should be a way to formalize the informal consultations that already took place between ITC and member States. Acknowledging that there was no dedicated division on LDCs in ITC, they said it was their intention to spend 50 per cent of the organization's resources on LDCs, and there were currently several cross-cutting units working on LDC issues. They promised to include comments made at the Trade and Development Board in the next Joint Advisory Group report.

N. Reports of the Working Party on the Medium-term Plan and the Programme Budget

112. The discussion on the report of the fiftieth session of the Working Party highlighted the Working Party's recommendation that the proposed strategic framework for the period 2010-2011 be considered as a revision to the strategic framework for the current biennium (2008-2009), so that the outcomes of UNCTAD XII could be implemented with minimum delay. However, it was noted that the Programme Planning and Budget Division and the Secretary of the Committee for Programme and Coordination had informed UNCTAD that that was not possible, unless approved by the General Assembly. UNCTAD would nevertheless ensure that the outcomes of UNCTAD XII were implemented with minimum delay through the adoption and implementation of the work plan for 2008-2011 (TD/B/WP/203/Rev.1). The strong efforts made by member States and the secretariat to strengthen the results-oriented performance measurement systems within UNCTAD, including the elaboration of meaningful indicators within the proposed UNCTAD section of the strategic framework for 2010-2011, were commended. The secretariat was requested to ensure that work on commodities be treated as a priority.

113. In the discussion on the report of the fifty-first session of the Working Party, it was recalled that member States had advised the secretariat to implement the 2008-2009 work programme as reflected in the four-year work plan, and also that the work plan be reflected in the 2010-2011 work programme.

O. Report by the President of the Advisory Body set up in accordance with paragraph 166 of the Bangkok Plan of Action on the implementation of courses by the secretariat in 2007-2008 and their relevant impact

114. In the course of the discussion, delegates called for the following: (a) delivery of annual courses in all regions, as the courses effectively addressed the trade capacity gap in developing countries; (b) delivery of courses for higher-level decision-makers and parliamentarians; (c) improved funding to support the delivery of those additional courses; and (d) support for the UNCTAD Secretary-General's fund-raising efforts, in particular from the Gulf Cooperation Council (GCC) States in a position to do so.

III. Procedural and related matters

A. Opening of the session

115. The fifty-fifth session of the Trade and Development Board was opened on 15 September 2008 by Mr. Petko Draganov (Bulgaria), the outgoing President of the Board.

B. Election of officers

(agenda item 1 (a))

116. At its 1019th (opening) plenary meeting, the Board elected Mr. Debapriya Bhattacharya (Bangladesh) President of the Board at its fifty-fifth session.

117. Also at its opening plenary meeting, the Board completed the election of officers to serve on the Bureau of the Board at its fifty-fifth session by electing 10 vice-presidents and the Rapporteur. Accordingly, the elected Bureau was as follows:

President:	Mr. Debapriya Bhattacharya (Bangladesh)
Vice-presidents:	Mr. Arcanjo Maria do Nascimento (Angola) Mr. Alberto Dumont (Argentina) Mr. Paulo Estivallet de Mesquita (Brazil) Mr. Tomáš Husák (Czech Republic) Mr. Christophe Guilhou (France) Mr. Kwabena Baah-Duodu (Ghana) Mr. Masood Khan (Pakistan) Mr. Vassily Nebenzia (Russian Federation) Mr. Javier Garrigues (Spain) Mr. Otto Van Maerssen (United States of America)
Rapporteur:	Ms. Andriani Falconaki-Sotiropoulos (Greece)

118. Following established practice, the Board agreed that the regional coordinators and China, as well as the chairs of the sessional committees, would be fully associated with the work of the Bureau of the Board.

C. Adoption of the agenda and organization of the work of the session

(agenda item 1 (b))

119. At its opening plenary meeting, the Board adopted the provisional agenda for the session contained in TD/B/55/1 (see annex I).

120. The following officers were elected to serve on the Bureau of Sessional Committee I to consider agenda item 4, "Review of progress in the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010":

Chair:	Mr. Jean Feyder (Luxembourg)
Vice-Chair-cum-Rapporteur:	Mr. Ravi Bhattarai (Nepal)

121. The following officers were elected to serve on the Bureau of Sessional Committee II to consider agenda item 5, "Economic development in Africa: trade liberalization and export performance in Africa":

Chair:	Mr. Kwabena Baah-Duodu (Ghana)
Vice-Chair-cum-Rapporteur:	Mr. Joannes Ekaprasetya Tandjung (Indonesia)

D. Adoption of the report on credentials
(agenda item 1 (c))

122. At its 1029th (closing) plenary meeting, held on 26 September 2008, the Board adopted the report of the Bureau on the credentials of representatives attending the fifty-fifth session of the Board (TD/B/55/L.3), thereby accepting the credentials.

E. Provisional agenda for the fifty-sixth session of the Board
(agenda item 1 (d))

123. At its closing plenary meeting, the Board decided to refer consideration of this item to consultations of the President of the Board. The provisional agenda will therefore be submitted for approval at an executive session at an appropriate time.

F. Appointment of the members of the Advisory Body for 2009
(agenda item 14 (a))

124. At its 1027th plenary meeting, on 23 September 2008, the Board appointed the members of the Advisory Body for 2009 as follows: Mr. Debapriya Bhattacharya (President of the Board, Bangladesh); Mr. Sergei Aleinik (Belarus); Mr. Georgi Avramchev (the former Yugoslav Republic of Macedonia); Mr. Jean-Baptiste Mattei (France); Mr. Dinesh Bhattarai (Nepal); Mr. Yahya S.H. Al-Wahaibi (Oman); Mr. Mario Matus (Chile); Mr. Byron Larios (El Salvador); Mr. Alejandro Artucio Rodriguez (Uruguay); Mr. Pierre Barusasieko (Burundi); Mr. Malloum Bamanga Abbas (Chad); Mr. Guy Rajemison Rakotomaharo (Madagascar); Mr. Darius Kurek (Switzerland); Mr. Otto Van Maerssen (United States of America); and a representative of Group B (to be announced at a later date).

G. Designation of intergovernmental bodies for the purposes of rule 76 of the rules of procedure of the Board
(agenda item 14 (b))

125. There were no new applications before the Board for its consideration. A list of the 112 intergovernmental organizations currently in status with UNCTAD is contained in document TD/B/IGO/LIST/7.

H. Designation of non-governmental organizations for the purposes of rule 77 of the rules of procedure of the Board
(agenda item 14 (c))

126. At its closing plenary meeting, the Board decided that the World Forum of Civil Society Networks should be included in the special category of non-governmental organizations. Information on that organization is contained in document TD/B/55/R.1.

I. Review of the calendar of meetings
(agenda item 14 (d))

127. At its closing plenary meeting, the Board approved the calendar of meetings for the remainder of 2008 and, subject to amendments after consultations with the

secretariat, the provisional calendar of meetings for 2009. The official calendar was to be issued as document TD/B/INF.213.

J. Membership of the Working Party for 2009
(agenda item 14 (e))

128. At its closing plenary meeting, the Board approved the membership of the Working Party for 2009 as follows: Albania, Belarus, China, Congo, Djibouti, El Salvador, Finland, France, Indonesia, Islamic Republic of Iran, Japan, Mexico, Morocco, Peru, Philippines, the Russian Federation, Sweden, Switzerland and the United States of America.

K. Review of the lists of States contained in the annex to General Assembly resolution 1995 (XIX)
(agenda item 14 (f))

129. The membership is reflected in document TD/B/INF.211. There were no new applications.

L. Administrative and financial implications of the actions of the Board
(agenda item 14 (g))

130. At its closing plenary meeting, the Board was informed that there were no additional financial implications arising from the work of its fifty-fifth session.

M. Adoption of the report
(agenda item 16)

131. At its closing plenary meeting, the Board adopted the draft report on its fifty-fifth session (TD/B/55/L.1, TD/B/55/L.2 and Add.1-9; TD/B/55/SC.I/L.1 and TD/B/55/SC.II/L.1) and authorized the Rapporteur to complete the final report as appropriate, taking into account the proceedings of the closing plenary, and to prepare the report of the Trade and Development Board to the General Assembly.

Annex I

Agenda for the fifty-fifth session of the Trade and Development Board

1. Procedural matters:
   (a) Election of officers
   (b) Adoption of the agenda and organization of the work of the session
   (c) Adoption of the report on credentials
   (d) Provisional agenda for the fifty-sixth session of the Board
2. High-level segment: Trade and productive capacities for achieving internationally agreed development goals, including the Millennium Development Goals
3. Interdependence: Mobilizing resources for development — commodity prices, productive capacity, supply and distribution
4. Review of progress in the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010:
   (a) *The Least Developed Countries Report 2008*: Recent economic, social and policy trends
   (b) Sectors of key interest to the least developed countries in the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010: Export competitiveness — policy issues and priorities
5. Economic development in Africa: Trade liberalization and export performance in Africa
6. Evolution of the international trading system and of international trade from a development perspective
7. Development strategies in a globalized world: Financial policies and productive investment related to trade and development
8. Investment for development: Transnational corporations, infrastructure and development
9. UNCTAD's contribution to the implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic and social fields:

   – UNCTAD's contribution, within its mandate, to the implementation and to the review of progress made in the implementation of the outcomes of the major United Nations conferences and summits, under its relevant agenda items, in particular the preparations for the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus

10. Technical cooperation activities:

    (a) Review of the technical cooperation activities of UNCTAD (report of the Working Party on its fifty-first session)

    (b) Report on UNCTAD's assistance to the Palestinian people

11. Matters requiring action by the Board in the follow-up to the twelfth session of the Conference and arising from or related to reports and activities of its subsidiary and other bodies:

- Hearing with civil society

12. Other matters in the field of trade and development:

    (a) Progressive development of the law of international trade: Forty-first annual report of the United Nations Commission on International Trade Law (New York, 16 June-3 July 2008)

    (b) Report of the Joint Advisory Group on the International Trade Centre UNCTAD/WTO on its forty-first session (Geneva, 4-5 December 2007)

13. Matters requiring action by the Board arising from or related to reports and activities of its subsidiary bodies:

- Reports of the Working Party on the Medium-term Plan and the Programme Budget

14. Institutional, organizational, administrative and related matters:

    (a) Report by the President of the Advisory Body set up in accordance with paragraph 166 of the Bangkok Plan of Action on the implementation of courses by the secretariat in 2007-2008 and their relevant impact; and the appointment of the members of the Advisory Body for 2009

    (b) Designation of intergovernmental bodies for the purposes of rule 76 of the rules of procedure of the Board

    (c) Designation of non-governmental organizations for the purposes of rule 77 of the rules of procedure of the Board

    (d) Review of the calendar of meetings

    (e) Membership of the Working Party for 2009

    (f) Review of the lists of States contained in the annex to General Assembly resolution 1995 (XIX)

    (g) Administrative and financial implications of the actions of the Board

15. Other business

16. Adoption of the report

Annex II

Attendance[3]

1. Representatives of the following States members of the Trade and Development Board attended the session:

Afghanistan
Albania
Algeria
Angola
Argentina
Australia
Austria
Bangladesh
Barbados
Belarus
Belgium
Benin
Bhutan
Bolivia
Botswana
Brazil
Bulgaria
Burkina Faso
Burundi
Cameroon
Canada
Chad
Chile
China
Colombia
Congo
Costa Rica
Côte d'Ivoire
Croatia
Cuba
Czech Republic
Democratic Republic of the Congo
Djibouti
Dominican Republic
Ecuador
Egypt
El Salvador
Estonia
Ethiopia
Finland
France
Germany
Ghana
Greece
Guatemala
Guinea
Haiti
Honduras
Hungary
India
Indonesia
Iran (Islamic Republic of)
Iraq
Israel
Italy
Jamaica
Japan
Jordan
Kazakhstan
Kenya
Kuwait
Lebanon
Lesotho
Luxembourg
Madagascar
Malaysia
Mali
Mauritania
Mauritius
Mexico
Montenegro
Morocco
Mozambique
Myanmar
Nepal
Nicaragua
Nigeria
Norway
Oman
Pakistan
Panama
Paraguay
Peru
Philippines

[3] For the list of participants, see TD/B/55/INF.1.

Poland
Portugal
Romania
Russian Federation
Rwanda
Saudi Arabia
Senegal
Serbia
Singapore
Slovakia
South Africa
Spain
Sri Lanka
Sudan
Sweden
Switzerland
Syrian Arab Republic
Thailand
The former Yugoslav Republic of Macedonia
Togo
Turkey
Uganda
Ukraine
United Kingdom of Great Britain and Northern Ireland
United States of America
Uruguay
Venezuela (Bolivarian Republic of)
Yemen
Zambia
Zimbabwe

2. Representatives of the following States members of UNCTAD but not members of the Trade and Development Board attended the session:

Cape Verde
Holy See
Kyrgyzstan
Lao People's Democratic Republic
Niger

3. The following observer attended the session:

Palestine

4. The following intergovernmental organizations were represented at the session:

African, Caribbean and Pacific Group of States
African Union
Agency for International Trade Information and Cooperation
European Community
League of Arab States
Organisation internationale de la francophonie
South Centre

5. The following United Nations organizations were represented at the session:

Economic and Social Commission for Asia and the Pacific
Economic Commission for Latin America and the Caribbean
International Trade Centre UNCTAD/WTO
United Nations
United Nations Development Programme
United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States

6. The following specialized agencies and related organizations were represented at the session:

International Monetary Fund
International Telecommunication Union
United Nations Industrial Development Organization
World Trade Organization

7. The following non-governmental organizations were represented at the session:

General Category

Action Aid
Exchange and Cooperation Centre for Latin America
Friends World Committee for Consultation
Fundación Global Democracia y Desarrollo
Ingénieurs du monde
Institute for Agriculture and Trade Policy
International Chamber of Commerce
International Federation of Business and Professional Women
Ocaproce internationale
Third World Network
Village Suisse ONG
Women's International League for Peace and Freedom

Special Category

International Federation of Organic Agriculture Movements

Accredited to UNCTAD XII

African Cocoa/Coffee Farmers Marketing Organization
Al-Hakim Foundation
Alliance for Arab Women
Arc-en-ciel
Association des femmes de Côte d'Ivoire (MADINA)
Benin Rural Assistance
Centre du commerce international pour le développement
Centre for Trade and Development
Christian Aid, United Kingdom
Collectif des femmes pour la protection de l'enfant et de l'environnement
Commission africaine des promoteurs de la santé et des droits de l'homme
Coordination des ONG africaines des droits de l'homme
Consumer Unity and Trust Society
Fondation des œuvres pour la solidarité et le Bien-être social
Institute of Socioeconomics Studies (INESC)
International Federation of University Women
Jonction
Magnificat Environment Association
Office africain pour le développement et la coopération
Rwanda Women's Network
Synergy for Development and International Partnership
Tunisian Mothers Association (ATM)
Uganda Consumers' Protection
United Youth Front International
Volontari nel Mondo (FOCSIV)
Youth Partnership for Peace and Development